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FISCAL IMPACT STATEMENT

LS 7922

BILL NUMBER: HB 1563

NOTE PREPARED: Jan 21, 2005

BILL AMENDED:

SUBJECT: Drug Testing for Public Assistance.

FIRST AUTHOR: Rep. Dodge

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X GENERAL
DEDICATED
X FEDERAL

IMPACT: State

Summary of Legislation: This bill requires the Division of Family and Children to develop a drug abuse testing program for applicants and recipients of assistance under the federal Temporary Assistance for Needy Families (TANF) program. The bill provides that: (1) an individual who tests positive for a controlled substance or a legend drug without a prescription is ineligible to receive TANF assistance; and (2) an individual who is ineligible for TANF assistance for testing positive for drug abuse is ineligible for assistance under the Medicaid program. It requires the Office of Medicaid Policy and Planning to apply for an amendment to the State Medicaid Plan to limit Medicaid eligibility for individuals who are ineligible under the TANF program for testing positive for drug abuse.

Effective Date: Upon passage; July 1, 2005.

Explanation of State Expenditures: This bill would require random drug testing of TANF applicants and recipients applying for or receiving nonmedical assistance at local Offices of Family and Children (excluding Food Stamps). Recipients must be 18 years of age or older. The bill requires a testing program be developed and implemented as a condition of application or receipt of benefits. A urinalysis test would be used, unless there was a positive result, and then a more specific test would be required to confirm the results. A recipient who refused to submit to drug testing would be ineligible for assistance. In addition, if an individual who is tested tests positive for the presence of a controlled substance or legend drug and does not possess a valid prescription the person is ineligible to receive assistance under the TANF program. An individual who is ineligible to receive assistance may reapply for assistance on the earlier of: (1) 6 months after the date the individual tested positive for drugs, or (2) the date the individual complies with and completes a drug abuse assessment or treatment plan.

There are 92 county Offices of Family and Children in the state. The number of Indiana TANF recipients statewide who were 18 years of age or older was 100,915 in June 2004. The number of applicants for TANF and other nonmedical assistance in the county offices is unknown. The number of individuals that would be tested under the provisions of this bill would be dependent upon the development of the testing program developed by the Division. The program is required to randomly select the individuals to be tested. The number of individuals selected would be determined by the Division. Consequently, the fiscal impact of this bill is indeterminate and dependent on administrative action.

As an example, however, if 10% of the recipient population were tested with 10% testing positive, testing costs are estimated to total approximately \$418,777.

Background on Testing Program: The testing provision of the bill is similar to a Michigan law which resulted in a six-week pilot program. The pilot was interrupted by intervening legal action. The law has since been ruled unconstitutional by the Sixth Circuit Court of Appeals. During the Michigan pilot, 435 people were tested and 45 (10%) tested positive. Thirty-eight (84%) of the tests were positive for marijuana.

Michigan used an existing contract for drug testing state employees to test TANF recipients and applicants. The drug testing cost was \$41.40 per individual in Michigan. Assessment and treatment services were provided by the Michigan Department of Community Health with TANF funds potentially set aside for these services.

The number of Indiana TANF recipients either 18 years of age or older was 100,915 in June 2004. If it is assumed that the June 2004 numbers would remain at the same level, and the random testing program in Indiana tested a minimum of 10% of the recipients, or 10,091, the testing would cost approximately \$418,777, assuming the cost per test to be \$41.50. There are no data to indicate how many people apply for TANF or other assistance each year, but the applicant population would be assumed to increase the number of individuals to be tested. The deterrence effect of randomly requiring drug testing on the number of applicants for assistance is unknown.

The Office of Medicaid Policy and Planning reports that routine drug screening would not meet the Medicaid definition of medical necessity and would not be eligible for Medicaid reimbursement. Some other source of funding would be necessary to provide the dollars for the initial screening cost. Michigan allocated TANF block grant funds for this purpose.

Additional Tests: The bill allows a county office to administer additional tests to an individual who is eligible for assistance under the TANF program if the individual: (1) is arrested or indicted on charges involving the illegal use of a controlled substance, (2) is under investigation by the county office or a prosecuting attorney's office for alleged child abuse or neglect, (3) commits an act or omission that is grounds for revoking the individual's assistance under the TANF program, or (4) has tested positive for drug abuse under the requirements of this bill. The number of persons that would fall into the aforementioned categories are unknown.

TANF Expenditure Reduction: The bill does not affect a dependent child's eligibility for assistance under the TANF program. As a result, the state would experience a decrease in expenditures in the amount of \$58.50 each month for each individual that fails a test. As was indicated above, a recipient may reapply for assistance after 6 months or after completing a drug abuse assessment or treatment plan. If a person were to reapply after a 6-month period, the state would experience a total reduction in expenditures of \$351. The amount of time needed to complete a drug abuse assessment or treatment plan varies. Thus, reduction in TANF expenditures

are unknown for this requirement. Total reductions for the state are dependent on the number of persons failing their tests and the number of months that they do not receive TANF assistance.

Background Information on the TANF Program: The TANF program is cost-shared with the federal government. The capped federal contribution is provided to the state through a block grant of about \$206 M annually. States are required to meet a specified maintenance-of-effort level in order to qualify for the block grant. Indiana's annual TANF MOE obligation is approximately \$121 M.

Medicaid Exemption: The bill requires the Office of Medicaid Policy and Planning to apply to the United States Department of Health and Human Services for approval to amend the State Medicaid Plan to limit eligibility for individuals who are ineligible for public assistance. Application for an amendment to the State Medicaid Plan could be accomplished within the existing level of budget and resources.

Medicaid Eligibility: Persons who are no longer eligible for TANF due to failure of a drug test under this program are no longer eligible for Medicaid assistance. In FY 2004, 100,915 persons over the age of 18 received services from the Medicaid program. It is unknown what portion of these persons would be randomly selected and subsequently fail their drug test. This requirement of the bill would result in a reduction of state expenditures. However, what reduction is dependent on the number of persons that become ineligible, the period of time that they are ineligible, and the type and level of services that they would require if maintained on the Medicaid roles. In FY 2005, the state projects that average monthly cost (both state and federal shares) per Medicaid member to be \$241.98, totaling approximately \$2,900 annually.

Adoption of Rules: The bill allows the Division of Family and Children to adopt rules pertaining to the random drug testing of welfare recipients and applicants. Rules adoption could be accomplished within the existing level of budget and resources.

Explanation of State Revenues: Medicaid is jointly funded by the state and federal governments. The state share of program expenditures is approximately 38%. Medicaid medical services are matched by the federal match rate (FMAP) in Indiana at approximately 62%.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Family and Social Services Administration, Division of Family and Children, and local Offices of Family and Children.

Local Agencies Affected:

Information Sources: Sample size calculator at <http://calculators.stat.ucla.edu/samplesize.php>

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